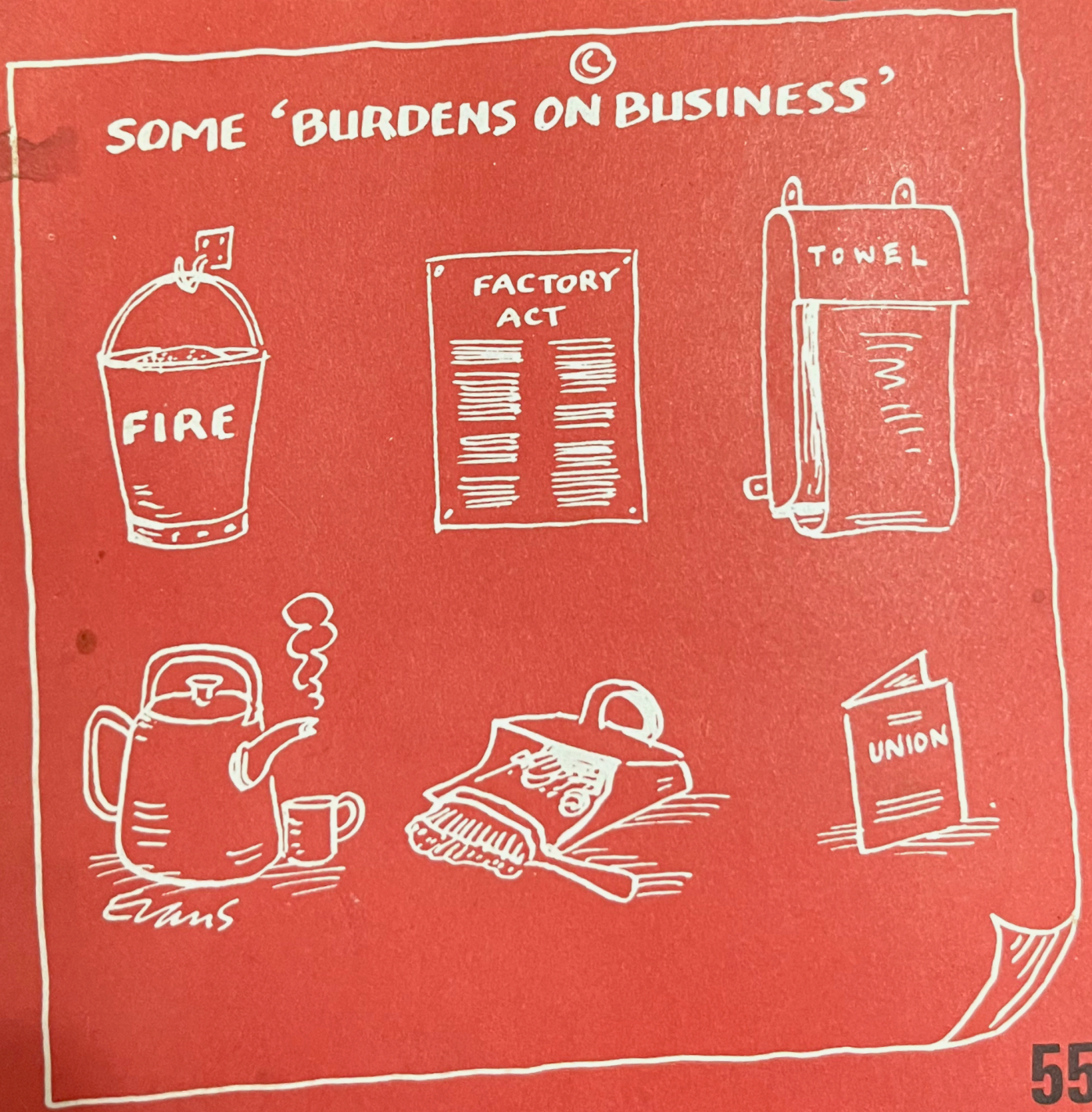
BOSSES' FREEDOMS

WORKERS' BURDENS



Labour Research Department

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The Labour Research Department is an independent, trade union based research organisation which exists to supply trade unionists and the labour movement with the information they need. Through its publications and through its enquiry service it provides details on:

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"To think of workers as part of a market is not to devalue them; it is recognised that the realities of economic life are not waived just because the factors are people, not things....the customer cannot be expected to buy unless he is getting what he needs at a price he can afford."

This quote is taken from the government white paper '*Employment, the challenge for the nation*'. It makes it quite clear that the government's view is that workers are commodities to be bought and sold at the right price.

Official government statistics show that 3,323,700 people (13.7% of all employees) are registered as unemployed. Their numbers continue to grow and there are no indications that the government has any strategy to reverse this trend. Faced with mounting criticism of policies, the government's response has been to turn the blame on the workers and their unions. In March 1985 the government published three separate documents:

- ***Burdens on business***
- ***Employment, the challenge for the nation***
- ***Consultative paper on wages councils***

They present similar arguments — that workers have priced themselves out of jobs and that a lowering of unemployment levels can only come about by a reduction in real wages. The proposals contained in these three documents **threaten unfair dismissal** rights, propose to **remove wages protection** from the lowest paid workers, and seek to **create a working environment where health and safety gives way to fast profits**. At the same time they propose the removal of legal restrictions on employers: in planning and fire regulations; in exemption from VAT and taxation; and in lowering the requirements for company registration. In this short booklet we explain what the proposals are and show their potential impact on the labour market.

Small businesses

The main thread of the government's argument for change is the need for protection for small businesses. The entrepreneur is described in glowing terms, as the person who will risk all, profit not at all, and provide all with jobs. *Burdens on Business* paints the following picture:

> "Entrepreneurs are non-conformists: personal satisfaction is more important to them than profit; **they can tolerate scruffy working conditions** — regulators do not understand the personality, psychology and motivation of the entrepreneur."

But this picture of the struggling individual, battling against all odds disappears when the scope of the government's proposals are analysed. In particular **the definition of small businesses includes firms employing up to 200 workers or firms in services with an annual turnover (at August 1983 prices) of £300,000 to £1m.** At least a third of private sector employment comes within that definition and as many as 6m workers are affected. **In other words the government's proposals to worsen terms and conditions of employment would have an immediate impact on one in four of the UK workforce.**

Do high wages cause unemployment?

The government's central argument is that high wages cause unemployment. The white paper — *Employment, the challenge for the nation* — says "The biggest sufferers from excessive wage rises are the unemployed."

There is no substance in the government's claim that unemployment and wage levels are linked nor that small business provides the key to reduced unemployment. Even the **Confederation of British Industry (CBI)** confirms that unemployment levels cannot be reduced by the encouragement of small businesses. The CBI says "Small firms have a significant role to play in creating new jobs but, given the size of the unemployment problem, they cannot provide any quick solutions...." (*Change to Succeed* CBI March 1985).

The theory is contradicted by the facts:

- Between 1972 and 1983 real wages rose by 1.7% per year, much less than the annual average rise of 2.9% between 1962 and 1972 — yet unemployment has risen much faster since 1972 than it did in the 10 previous years (*Guardian* 6.2.85). Professor Sargent of the **Bank of England** also concluded from a survey of the last 30 years that no such single factor explains changes in unemployment. (*BEQB* December 1984)

- As table 1 shows, real earnings of male manual workers rose by 6% between 1979 and 1983 while for non-manual workers the rise was 14%. However, employment of non-manual workers went up 12% whereas it fell by 8% for manual workers — exactly the opposite of what should have happened according to the government's theory.

Table 1: Changes in indices of real earnings and employment

1979 = 100

	Manual	non-manual	all
Employment	92	112	100
Real earnings	106	114	112

Note: Earnings refer to hourly earnings of full-time males aged 21 and over, excluding overtime.
Source: *Midland Bank Review*, Spring 1985

- Table 2 shows there is no connection between high pay increases and loss of jobs. If this were the case, then the job loss ranking would be the same as the league table position of increases in basic rates.

Table 2: National agreement increases and change in employment 1979-84

Pos Agreement	% incr in lowest basic rate	% incr in earnings[1]	Change in employ-ment[2]	rank by employ-ment loss
Men				
1 Chemicals & Allied	+ 86.7	+ 77.6	24.8	3
2 Licensed residential WC	+ 77.1	+ 67.1	9.8	7
3 Clearing banks	+ 73.9	+ 82.9	+ 14.5	10
4 Retail Food WC	+ 72.3	+ 49.5	+ 4.1	9
5 Furniture JIC	+ 71.8	+ 62.3	15.3	5
6 Agriculture (E&W)	+ 70.7	+ 70.8	7.1	8
7 Building Industry JIC	+ 61.5[3]	+ 67.5	23.2	4
8 Paper & paperboard	+ 51.5	+ 54.8	38.8	1
9 Motor vehicle retailer & repair	+ 46.5	+ 45.8	10.9	6
10 Engineering	+ 45.2	+ 60.9	30.2	2
Women				
1 Clearing banks	+ 73.9	+ 108.6	+ 18.6	5
2 Retail Food WC	+ 72.3	+ 70.4	0.8)	3
3 Retail multiple food	+ 68.3	+ 80.6	0.8)	
4 Clothing industry	+ 50.0	+ 64.6	24.2	2
5 Engineering	+ 45.2	+ 63.2	37.1	1

Notes: 1 source *New Earnings Survey* 1979 and 1984. 2 all employees in closest industry definition to agreement: engineering figures include vehicles and aerospace. 3 increase on 1979 basic and earnings supplement

Removing employment protection rights

Burdens on Business examined the 'impact' of employment protection legislation on business freedom. The report states that the legislation was seen as the second greatest brake on business freedom coming after VAT. However, looked at more closely it becomes clear that even the research findings themselves do not present such a straighforward picture. **Only 8 out of the 200 firms surveyed mentioned employment protection legislation without prompting**. When prompted their numbers rose to 59. This was the largest increase recorded for prompted responses. It suggests that there was considerable emphasis placed by the interviewers on the impact of legislation.

The report recommends amendments to unfair dismissal protections. These are discussed below. It also suggests that more radical changes could be introduced. In particular, it notes that

- **holding jobs for pregnant women causes some concern.**

This view was supported by the employers surveyed and it is possible that the government will see it as an area of potential change.

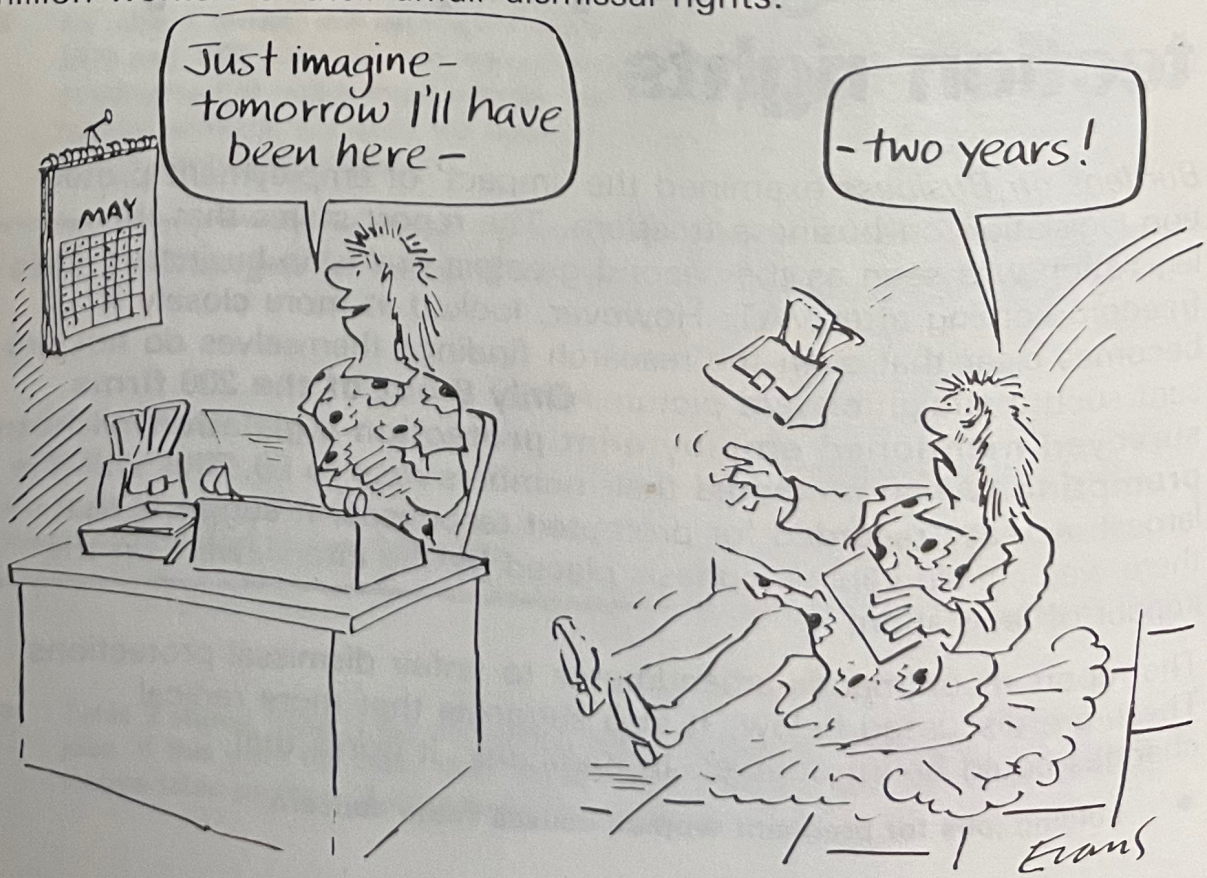
The report goes even further, with a suggestion that there should be a move from legislation to codes of conduct. In other words that all of the statutory protections should be removed to be replaced by non legally enforceable codes.

Unfair dismissal rights

Prior to 1979 workers could claim unfair dismissal provided they had worked for their employer for at least 26 weeks. That period was extended to one year and, for those whose employers employed 20 or fewer workers, a new minimum of two years' service was established in 1980. *Burdens on Business* proposes a further limitation of these rights. It suggests that:

- the period of qualifying service for all workers be extended to two years;
- industrial tribunals should cut down on legal arguments;
- action be taken to discourage "ill founded" complaints, by industrial tribunals introducing a deposit system.

Already, in advance of publication of the report, the government has moved to comply with its recommendations. On 19 March, in the budget speech, the government announced that a two year service qualification would apply to all new workers. This deprives 3½ million workers of their unfair dismissal rights.



From 1 March 1985 changes were introduced to end the practice of industrial tribunals giving detailed reasons for their decisions. It will in future be difficult for individuals to know the legal basis for rejection of their claim and correspondingly harder for an appeal to a higher tribunal against such findings.

The third proposal, to introduce a "deposit" system would mean that many workers inevitably will be deterred from taking unfair dismissal cases if an unfavourable decision results in monetary loss. In no other area of law are financial penalties — additional to the cost of representation, or damages awarded — imposed in this manner.

In speaking on the budget changes on 19 March 1985 Tom King, Secretary of State for Employment said:

> "The risk of unqualified involvement with tribunals in unfair dismissal cases and the cost of such involvement are often cited as deterring employers from giving more people jobs."

All of the available evidence contradicts this statement. Academics at the University of Manchester Institute of Science and Technology in research for the government's Department of Employment found that very few small employers were deterred from employing workers for fear that they would go to tribunals — the incidence of claims was so small that employers could expect one on average every 20 years and a successful claim once every 40 years. These findings back up a previous Department of Employment study by Opinion Research Centre. Undertaken in 1979 it found that only 2% mentioned unfair dismissal legislation as one of the main difficulties and 88% found none of the legislative restrictions troublesome. While 8% said it made them reluctant to take on staff, 76% said that it made no difference. *Burdens on Business* reveals similar findings. But evidence, even from its own commissioned research does not alter the government's determination to restrict employee rights. As John Lloyd (Industrial Correspondent) writing in the *Financial Times* on 23 March 1985 said:

> "In short, never mind the contradictory research findings, letting small employers fire people really makes them feel good."

Wages councils

2.75m workers, 86% of them in service industries such as retailing, catering and hairdressing, are covered by wages council orders. These set minimum terms and conditions for the industries concerned. Employment in wages councils is not typical of employment in the economy as a whole. Two thirds of the employees are part time and four fifths are women. It is these poorly paid workers whom the government is keen to attack.

The consultative document on the wages councils proposes either:

- abolition of the wages councils altogether; or
- restrictions on their power, particularly in respect of rates of pay for young workers.

The government argues that wages council rates are pricing workers out of jobs. In an attempt to prove this the consultative document refers to the fact that nearly a third of wages council employees earn only the statutory minimum rate. "This", the government says, "suggests that these rates are now higher than would be necessary to recruit and retain workers." The **Institute of Directors** supports this, and calls for total abolition. The **Confederation of British Industry**, however, remains more cautious. It wants the councils retained in some form "because employers fear abolition will create a vacuum that will be filled by the trade unions". (David Felton, Labour correspondent writing in *The Times* 23.3.85).

The consultative document pays particular attention to young workers, and argues that, even if the wages councils are retained, changes should be made to young workers' pay. These include:

- removing young workers entirely from the wages council machinery of negotiation;
- laying down a minimum percentage level of the adult rate;
- denying young workers access to the adult rate until older — at age 23 is one suggestion.

Young workers in wages council industries can hardly be considered to be well paid. An 18 year old hairdresser can earn as little as £37.50 a week, 27% below the adult rate. The government's intention is to force these young workers to take jobs at even lower rates. Their desire is to remove young people from unemployment statistics because their current unemployment level, at more than 30%, is politically embarrassing. But the strategy has nothing to do with the creation of new jobs. It is envisaged instead that young workers, working at new attractive low rates, will replace adult female workers. But even this degree of wage cutting for young workers may not be enough. The document says:

> "Compared with the abolition option they (the changes) are unlikely to have as much effect on the overall level of employment and risk maintaining artificially high rates of pay for adults damaging to employment."

The following points show that there is no basis for the government's claim that the proposal will create more jobs:

- Cambridge economists Christine Craig and Frank Wilkinson who examined the effect on employment of the loss of those wages councils already abolished showed that there was no increase in the number of jobs but there was significant evidence of the extension of low pay;

'WAGES COUNCILS SHOULD BE ABOLISHED'

- since 1979 the number of low paid workers has increased, but so too has unemployment;
- the main impact of the proposed changes would be to further worsen the earnings of low paid female workers;
- between 1974 and 1984 wages council rates actually fell in comparison with other rates. In 1974 they were 73% of all industries and services rates. By 1984 this figure had declined to 65%.

Despite the facts the government clearly wants to end wages council protection, for some, if not all workers. Their view is that:

> "This system impedes the freedom of employers to offer and job seekers to take jobs at wages which would otherwise be acceptable." (*Employment, the challenge for the nation*)

In *Burdens on Business* researchers found that only 4% of employers mentioned wages councils as having a detrimental effect on their business. Nevertheless, in line with government wishes, the report recommended the abolition of the wages councils. We must ask what level of wages the government sees as acceptable. How large a wage cut do wages council hairdressers on a minimum of £47.50 have to take to price themselves into this new entrepreneur's paradise?

Statutory sick pay

From April 1986 the government has already announced that SSP will be payable for 28 instead of eight weeks. But *Burdens on Business* proposes to exempt SSP from some employment. The report's recommendation is that employers who continue to pay full wages when their employees are sick should be exempt from SSP requirements. This proposal would create serious problems for long term sick employees who would normally transfer to invalidity benefit after 28 weeks on SSP/sickness benefit. If employers are not claiming SSP and therefore have no obligation to maintain sickness records then it will be difficult for employees to establish their entitlement to invalidity benefit, particularly if the employee has already been dismissed because of long term sickness.

Employers surveyed in *Burdens on Business* also wanted change, in particular they want small firms to be removed from the scope of SSP on condition that short term absences are covered by private health insurance. However, the survey showed that very few employers had actually experienced SSP problems and, of greater interest, it was larger employers who mentioned SSP as a restraint on business. Of the 28 (14%) of employers who mentioned SSP 57% employed more than 51 workers.

Conclusions

Despite the glowing picture which the government presents — of small businesses struggling against seemingly unsurmountable odds the government's own research *Burdens on Business* reveals that the reverse is true:

> "We found that most small businesses are managing to cope with government requirements, about which only a minority are openly critical. And most small businesses see problems with finance, sales and so on as more serious than problems with compliance costs.....
> There is no evidence that regulatory burdens borne by business in our main international competitors are significantly lighter than in the UK."

It is clear that workers will now face a renewed attack on living standards. In *Burdens on Business* employers surveyed recommended the following areas of employment protection legislation as suitable for amendment. It is these proposals that government ministers will be looking to act upon in the coming months:

- replacement of the Employment Protection legislation with the codes of practice with reliance on contract with common law remedies;
- exempt small businesses from unfair dismissal and compulsory redundancy payments — exempt also maternity leave and return to work rights;
- introduce deposits for all tribunal cases;
- abolish wages councils;
- no employment rights or wages legislation to apply to workers under 21.

Small firms kill

In a short section the report *Burdens on Business* covers a wide area of health and safety protection which the government intends to "simplify and rationalise".

> — simplify and rationalise, without loss of essential protections, statutory health and safety provisions, which are unnecessarily complicated; and eliminate some inessential requirements (eg restrictions on women's hours of work; notification of the employment of young people in factories; posting of extracts of legislation).

If implemented this may allow the Tories to run a coach and horses through our health and safety protection that has been fought for for over the last hundred years.

Small is dangerous

There is no doubt whatsoever that small workplaces are more dangerous than larger ones.

In fact a 1981 study of machinery accidents in manufacturing showed that one in two (50%) occurred in firms employing less than 100, and over 1 in 10 (10%) occurred in firms employing 1 to 10; although these firms accounted for less than 1 in 20 (5%) of the employees in the study. The building industry is one example, where contracting out work to small firms leads to high accident rates.

Hazards of Construction

Despite a 'Site Safe 83' campaign by the factory inspectorate during 1983 deaths and injuries in the industry increased. Deaths **rose** from 129 in 1981 to 149 in 1983 and major injuries from 1766 in 1981 to 2272. During the same period the number of employees in the construction industry **fell** from 1,094,800 to 1,039,500. In other words:

- the risk from death in construction is five times that in manufacturing industry;
- the risk of death in demolition is 17 times that in manufacturing;
- 1 in 14 scaffolders sustained a serious injury during 1983;
- the construction industry injures another worker every three minutes.

A recent report (*Health and safety at work* April 1985) commissioned by the factory inspectorate, on safety on 29 building sites, revealed the reason for all this death and injury: "The attitude of site management was found to be poor. It was such that site management pressure was applied upon individuals to perform under conditions where they felt it was unsafe by the expedient of suggesting that they (the individuals) could be dismissed from the site."

Aerial view of site after explosion

Photo: by permission of Aerofilms Ltd.

Small and explosive

At 11.30pm on the night of 15 September 1981 a violent explosion occurred at the **Chemstar factory**, Stalybridge. One worker was killed and another injured. A two story building on the site was demolished and great concern and panic was caused to the nearby residents (four drums flew out of the factory — one landing on the roof of a house!).

The firm was prosecuted under s.2(1) of the *Health and Safety at Work Act* and in February 1982 fined £900.

Yet, this factory only employed 15 people and would clearly be classified as a small firm!

Is Health and Safety law a burden to small firms?

The answer to this question is simply; no!

In the survey accompanying the *Burdens on Business* report only 22 of the 200 small firms surveyed even bothered to mention health and safety as a problem. As the researchers themselves conclude, "the requirement was not mentioned by 178 firms even when prompted".

Women's hours of work

The Factories Acts limit the amount of overtime, shift work, night and week-end work done by women in factories. With the **rapid** increase in unemployment since the election of the Tories in 1979 the arguments for legal limits on working hours — for both men and women — have clearly increased. As the factory inspectors state,

> "We are concerned that protection against working excessive hours, particularly by the young, who are most vulnerable, should continue to exist and that suitable simple legislation should be made to extend to all industries."

Notification and employment of young people

During 1983 a public outcry at the deaths and injuries to YTS trainees, in which the trade unions were prominent, resulted in YTS trainees being defined as "employees" under the *Health and Safety at Work Act* from 13 January 1984. And, from 1 April 1984, the Manpower Services Commission made it a requirement, that was written into their contracts with any managing agents or sponsors, that all firms employing YTS trainees should register with the factory inspectorate. Clearly a removal of the requirement to notify the employment of young persons is an attempt to turn the clock back and reduce the very necessary protection for young workers.

Display of health and safety law

In many workplaces this is the **only** bit of health and safety law that most employees will ever see! It also informs them of how to contact the factory inspector should they need advice/help. We can do no better than quote again the factory inspectors themselves on this: "Employers and employees need to know what legislation applies to their activities, and the duty to post forms was one early attempt to ensure that they had something authorative to refer to....The cost of putting up forms is very small and there are benefits to be gained."

Reduction of Fire Prevention law

Only 12 of the 200 companies surveyed in *Burdens on Business* reported fire regulations a problem and yet there are serious proposals to relax the standards of fire prevention law.

Each year many hundreds of people die and are injured in fires. Each year fire damage sets new records; frequently exceeding £30m. a month.

The *Fire Prevention Act of 1971* was a recognition of the changing nature of fires. With the change to plastic-type furniture, fixtures and fittings the main hazards during a fire changed from the fire itself to toxic fumes. As a result the safe evacuation time from a building is now considered to be only two minutes.

The 1971 Act concerned fire prevention and safe evacuation. It concentrated on: the safe storage and use of flammable materials; protected and marked fire exits; regular fire drills; loud fire bells and the provision of fire-fighting equipment.

The Home Office have recently admitted that during 1985 they intend to publish a consultative document where the main idea will be to transfer the statutory enforcement of fire prevention from Public Fire Brigades to management in line with the Tories idea of 'self regulation'.

Sweat shop fires

In 1983 five Asian workers died in a fire at the premises of **DKG Netwear** in East London. There was no adequate means of escape in the East End sweat shop. As a direct result of public outcry the government set up an enquiry by the Factory Inspectorate into conditions in small clothing factories. In February 1985 the results of this investigation were published. The factory inspectorate looked at 300 sweatshops in Leicester, West Midlands and East London. The **National Union of Taylors and Garment Workers** considered that this report missed many of the 'junk spots' by the inspectors only looking at sites known by them or on sites where acceptable factories had been before.

Photo: Neil Martinson

Even so, the results were **not** reassuring.

- 191 of the 300 were unregistered with the factory inspectorate (a basic legal requirement).
- In the 300 inspections some 1,257 items of advice were given, one third of which concerned safety matters — including 99 cases of faults in electrical equipment (a common cause of fires).
- 67 items of advice concerned fire matters.
- There were 46 offences relating to the employment of children and young persons.
- In 20 of the 300 factories conditions were so bad that enforcement notices were issued and two prosecutions involving 24 separate summonses were issued.

Conclusion

An examination of the **facts** about the health and safety performance of small firms, as above, shows quite clearly that we need:

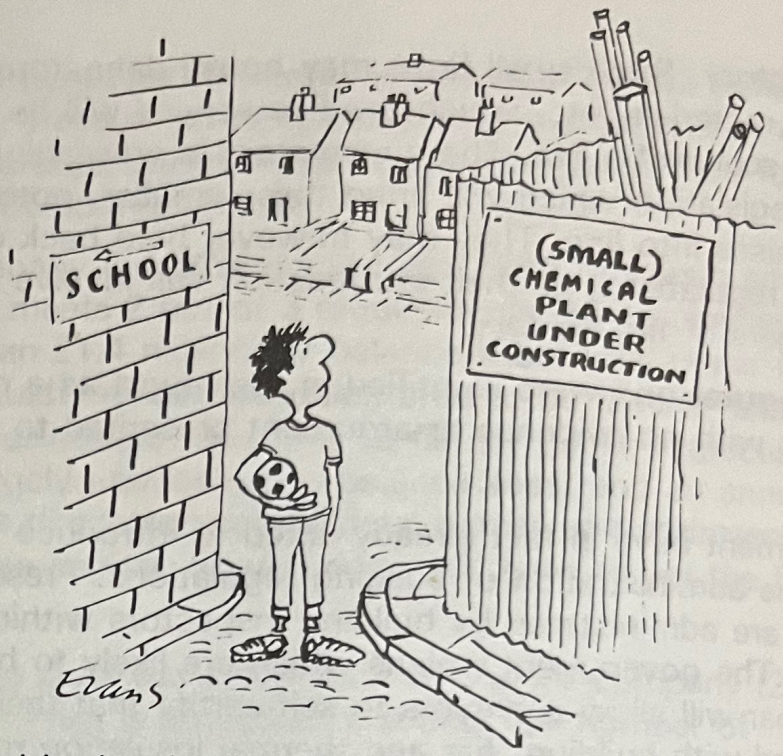
- **More factory inspectors** to enforce health and safety law (from 1979 to 1984 the number of factory inspectors who actually inspect workplaces has been cut by the Tories from 1,084 to 915).
- **Stricter enforcement of health and safety law by the courts.**

On 1 April 1985 the prime minister, Mrs Thatcher, spoke of her views on how to control soccer violence remarking, "It has got to be prison for violence". If she is serious about controlling violence by prison sentences she could make a start on the daily violence which takes place in many workplaces — most of whom are small firms!

Benefits to businesses

Planning law relaxed

The *Burdens on Business* report identifies the planning system, fire precautions, and building regulations as burdens on small firms. Local planning decisions, the report maintains should be speeded up. According to the Department of the Environment's figures, 71% of all planning applications are now dealt with within 8 weeks, and applications are now being dealt with quicker than at any time since records have started to be kept. The report calls for the introduction of **Simplified Planning Zones**, i.e. areas designated for a particular purpose by a local authority, and for which no actual individual planning permission would be necessary, as long as the proposed use was not in conflict with the designated purpose. In reality all local



plans prepared by local councils designate areas for housing, shopping, industry etc. Planners do everything they can to encourage, for example industry to locate in the area so designated. Simplified Planning Zones would do nothing to assist such locations, but merely take away powers from local authorities to inspect each individual planning application.

The report calls for the extension of **Enterprise Zones** — areas where no planning requirements exist, and industrial rate levels are nil. The failure of such zones to actually create jobs is well documented. (Many firms simply abandon their premises in the areas surrounding the zones and move into them. Rent levels in the zones have soared providing landlords with huge profits.)

The report believes that firms should be able to change the use of industrial premises far more easily, and that individuals should be assisted in starting businesses in their own homes. Such suggestions would merely open the doors for sweat shops, and unplanned environmental pollution on an unprecedented scale.

Britain's planning system has been built up over many decades and aims to give the community some control over land use and the environment. There is no evidence that planning regulations 'burden' businesses. On the contrary, many planning decisions being taken in the 1980s favour business and job creating projects (real or otherwise) as planners and councillors bend over backwards for new jobs within their areas.

Concerning the **fire regulations** the report calls for "increased flexibility". Fire regulations exist to prevent the possibility of fires. Under the present 1971 legislation firms employing under 20 people do not have to have a fire certificate, a situation the Fire Brigade believes to

be unsatisfactory. Such small firms may house dangerous chemicals, inflammable materials, etc, which the Fire service will be unaware of until on the scene of a fire. The government is envisaging new fire precaution legislation which will bring these smaller, potentially dangerous premises into line. They may however hold back on these new tighter regulations, as their introduction will involve an increase in the numbers of fire-fighters.

Building regulations were identified in the report as a minor burden for business with no evidence or argument presented to support this case.

The government have in fact already acted to introduce 'self certification' into the administration of building regulations. Presently these regulations are administered by building inspectors within local authorities. The government's plans which are likely to be enacted later this year will allow surveyors to self-certify that their own plans are in accord with building, fire and thermal insulation regulations. No independent source will therefore be entitled to check the safety of new and converted buildings. Temptations to cut corners will be great, particularly during building conversions, which often require expensive fire precautionary measures or greater insulation.

Company law rules changed

Limited liability is a privilege for a company. A limited company can set up with 2 shareholders who, say, own 100 £1 shares between them. If that company goes bust owing employees, suppliers etc thousands of pounds, the 2 shareholders' liability is just £100.

Previous company legislation has usually been formulated for the benefit of shareholders. In what can only be described as a "cowboys' charter", the report recommends scrapping the statutory

audit requirements for "shareholder-manager" small firms. Additionally it calls for a reduction/simplification in the content of company accounts and annual return forms which have to be filed for public inspection at Companies House.

Present company law (*Companies Act 1981*) defines a small company as such if it meets 2 out of 3 requirements: 50 employees or less; sales less than £1.4 million; or balance sheet total under £700,000. Even now, such companies which tend to be family/"shareholder-managed" businesses have only to file for public inspection: a modified, largely uninformative balance sheet and an annual return which details directors/shareholders' names and addresses, registered address, share capital. Shareholders still have to get the full accounts.

If *Burdens on Business's* definition of a small company (200 employees or less) is accepted, a substantial number of "medium-sized" firms will fall into the "small" net. At present medium-sized companies are defined so if 2 out of 3 requirements are met: 250 employees or less; sales less than £5.75 million; balance sheet total less than £2.8 million.

Rather than lifting a burden off business the government's proposals could well put a brake on business and cause job losses. For example, manufacturers/suppliers could become wary of supplying goods to a company if they cannot form an opinion of its ability to pay. On the other hand "cowboy companies" could be set up, get supplies in and disappear without trace **and** paying, and the suppliers go bust with jobs lost.

Lower taxes for business

VAT

The administration of VAT is described by the *Burdens on Business* report as "the most frequent burden", which "imposes significant compliance costs on small firms". It recommends three measures to relieve the problem: firstly, "take more small businesses out of the VAT net"; secondly, "improve bad debt relief" (for firms who have paid over VAT they have charged on invoices which are then not paid because the debtor has gone bankrupt); and thirdly "introduce a monthly payment plan", like a 'budget account', to make it easier for small businesses to manage.

The arguments advanced for VAT being a serious problem are weak in the extreme. Only 21% of the small firms surveyed mentioned VAT as a problem without prompting, and even after prompting only 39% agreed it was any cause for concern. Eight of the comments reported actually regarded VAT as positively **useful** to their business,

stating for example that it is "fair", "makes you keep good accounts", or a useful "discipline". Even the researchers concluded that VAT is "generally tolerated and accepted....in relation to a firm's total business problems, VAT is not of first importance". So despite the myths of the Conservative party and the business lobby, there is no evidence at all, even from a highly biased survey, that VAT imposes a serious burden.

The recommendations are best described as naive. Nine days before the report appeared, the budget had already provided for improved VAT relief for bad debts (at an annual cost of £25 million to the rest of us), and the ceiling below which firms are exempted from VAT was raised to the maximum possible allowed under EEC regulations. Moreover, the trend in recent years has been for the government to actually extend the VAT net — in 1984 to cover takeaway hot food, and this year to cover newspaper advertising. Lawson's latest budget also introduced new stiffer measures to make businesses pay the VAT they owe in full and more promptly — which will mean a squeeze on firms' cash flow as they will no longer be able to hang onto the public's VAT as an interest-free loan. These measures are sensible and welcome — unfotunately they are the complete opposite of the report's approach. The same point applies to the report's simple suggestion of a monthly VAT budget account — it implies that VAT would have to be paid monthly, instead of quarterly as at present, and thus benefit the cash flow. This is again a welcome prospect — but not perhaps what businessmen had in mind.

PAYE and National Insurance Contributions

Hardly any of the firms saw these as a burden: 5% without prompting, and only 12½% when they were prompted. Even then, one quarter of the comments reported saw it as "necessary", "not a problem". As for national insurance contributions, even after prompting only 4½% mentioned it, and the report concludes that PAYE and NIC contributions are "fairly light and accepted".

The one proposal put forward by the report is to "put the PAYE system on to a non-cumulative basis". This would mean that tax would be deducted on the basis of each week's pay, like national insurance, instead of on the basis of cumulative earnings over the tax year as at present. The Chancellor has already promised that this will be examined in a green paper on taxation later this year. The only attraction is that employers without a computer will have less work to do — but at the expense of workers, who would then have to sort out with the Inland Revenue their own correct tax position: for example, when someone starts work half-way through the financial year, the non-cumulative approach would be far more likely to lead to overpayment of tax.

The Tory record on anti-worker law

Since 1979 Tory legislation has aided business at the expense of employee rights in the following ways:

On closed shops:

- where there is a closed shop it is still unfair for a worker to be dismissed if not a member because of conscience or other deeply held conviction ;
- it is also unfair to dismiss/discipline any non member if the closed shop has not been approved in a secret ballot by at least 85% of these voting or 80% of the membership;
- compensation awards for unfair dismissal in closed shop dismissals are much more generous than for any other unfair dismissal;
- trade unions can be 'joined' in unfair dismissal claims.This makes the union liable to pay compensation even though it is the employer who has actually dismissed.

On industrial action:

- taking part in secondary action, that is action in support of other workers makes workers, and unions, liable for damages;
- limitations on the right to picket. With few exceptions this is lawful only in disputes with workers' own employer and at their own place of work;
- making unlawful industrial action to compel workers to join a union unless at the employees' own place or work or with their own employer. Action to compel union recognition was also made unlawful;
- strikes now only stay within the law if they are concerned wholly or mainly with industrial matters and they must be between workers and their employers.Strikes for other purposes no longer have legal protection;
- the union itself is liable for damages when authorising unlawful industrial action;
- employers can pick and choose when dismissing strikers after a period of time has passed;
- secret ballots are compulsory before official industrial action is authorised. Failure to do so makes the union liable for damages.

On employment rights:

- employees working for small employers have to have worked twice as long to get unfair dismissal rights (although this limitation will extend to all (see page 6));
- employers no longer have to prove that dismissals are fair, making it harder for individuals to win cases.Tribunals now take account of the size of the company when deciding on fairness;
- workers on fixed term contracts have more limited unfair dismissal rights;
- it is now more difficult for women to return to work after maternity leave because of more complicated notification procedures and special exemptions for small firms;
- removed protections for the wages of low paid workers and withdrew legal recoginition rights from unions.

On political funds and union elections

- executive elections must be by secret ballot;
- unions must keep registers of members' names and addresses;
- union ballots every 10 years where a union has a political fund;
- redefines 'political objects' so as to prevent unions without political funds from campaigning and organising on issues deemed 'political'.

The government is planning major changes in legislation. These will remove legal protections from workers and at the same time allow business to profit without regard to provision of safe or even adequate working conditions. In three major documents published in March 1985 the Tories outline plans which would result in a drop in real wages and a removal of important employment protection rights. Based on philosophies which say that it is high wages which cause unemployment, these documents herald a new attack on well-established rights.

In this short booklet LRD explains what the government's proposals mean: it effectively refutes the argument that links wage levels and employment, and outlines the main threat of the Tory anti-worker laws to date.